

CONCENTRATION IN FIRE INSURANCE.

In an article on "Concentration in Fire Insurance," "Insurance Economics" calls attention to the decrease in the number of competing companies as shown in the report to New York. The largest number of companies reporting to the state since the Chicago fire, it says, was 201 in 1875. On December 31, 1900, the number was 161, of which 35 were owned or controlled by other companies, "so that the actual number of competing corporate units was 126," of which some half dozen have been absorbed or otherwise retired since. The concentration of fire insurance capital and the decrease in the number of competing companies is approved by "Economics," for the reason that "the tendency is along economic lines and will promote the welfare of the largest number of people." The Insurance Field has the following comments on the above:—

"Such a result, of course, justifies the course of every business and all who are interested in fire insurance will welcome any scheme of concentration that will produce economy of operation and steadiness of results. But it must be admitted that the steps toward concentration have not yet produced any conspicuous economical results. On the contrary, and in spite of the increased volume of term business (which of course reduces the rate) the tables of results show that there has been an absolute decrease in the ratio of losses to \$100 at risk, which is the only sound basis for the determination of the rate. But there has been an increase (1) in the rate of premium on each \$100 at risk, and (2) in the ratio of expense to every \$100 of premiums. So that it appears that notwithstanding the concentration of capital fire insurance has steadily increased in cost to the insured and has steadily become more expensive for the reduced number of companies to conduct, while at the same time there has been an appreciable decrease in the ratio of insured property destroyed.

"The annual report of the National Board of Underwriters for 1901 shows that the amount of losses paid to \$100 of risks insured was for the three decades, as follows: 1871-80, 50.6 cents; 1881-90, 48.7 cents; 1891-1900, 47.6 cents.

"For the three decades the ratio of expenses to premiums received was as follows: 1871-80, 33.16 per cent; 1881-90, 35.16 per cent.; 1891-1900, 36.5 per cent.; and this is increasing steadily.

"For the three decades the amount of premium charged per \$100 insured in the aggregate was as follows: 1871-80, 94.32 cents; 1881-90, 98.80 cents; 1891-1900, 103.1 cents.

"We do not want to be understood as quoting these facts as proof that concentration will not promote economy. On the other hand, we think it will; but the curious result remains that thus far it has not, the causes of which may be conjectured. The principal one is that there has not yet been any intelligent well directed plan of concentration. The competing companies eliminated have been retired by brute rivalry, by a deliberate increase of expense in order to force the weaker ones to the wall. This method continues yet. There are no indications that it will be abandoned. While all other great capitalistic enterprises have been undergoing conversion to adapt themselves to modern economic necessities by sudden transformations, fire insurance yet continues the movement to purge itself by means of "the pace that kills" off the weaker. What economy can there be, for instance, in the retirement of the Lancashire and the promotion of the Citizens, of St. Louis? The number of unnecessary local agents has not been reduced, and the fierce competition is not decreased; on the contrary, it takes the more ruinous form of inbred competition—where agents of two or three companies of one ownership, or of allied ownerships, are competing with each other at the expense of a common employer. And thus far the benefits of such competition have not reached the general public. This brute method of elimination has had one effect. It has tested the agency system of conducting fire insurance to the utmost. It has forced every sort of expedient and desperate remedy into use. It has rendered the study of rating a vital necessity. It has increased the opportunities of intelligent local agents while it has called an army of irresponsible and ignorant solicitors into the ranks. The multiple system of agencies has become a burden so great that it threatens to be a peril to the business. In many of the large cities the clamorous competition of competing agents is like that of rival "barkers" for shows on the Midway Plaisance.

"Intelligent concentration of fire insurance capital is desirable to the

public, to the stockholders of companies, and to underwriters occupied with the real conduct of the business. But thus far there is no sign of an intelligent plan on the horizon. When it appears it will be accompanied by a purpose to cut out the unnecessary and costly agency competition, to considerably reduce the rate of commissions, to adjust the rate of insurance equitably upon all classes, and to simplify the handling of the enormous lines of liability that concentration in property ownership is developing. Unless these things are achieved there is nothing to be gained by fire insurance concentration, but rather much to be complained of."

Notes and Items.

At Home and Abroad.

MR. J. J. KENNY, TORONTO, was recently in Chicago in regard to the Western taking over the North German, a few of the agencies of which will be retained by the Western.

THE ROYAL BANK OF CANADA has declared a dividend at the rate of $3\frac{1}{2}$ per cent., for the half year, payable 10th August.

THE BANK OF NOVA SCOTIA has declared a dividend at the rate of nine per cent. per annum on $\frac{1}{2}$ paid up capital, payable 10th August.

THE APPLE CROP OF THE STATES is more valuable than that of wheat, seems incredible, but it is a fact, as it is valued at \$430,000,000, which exceeds the value of the wheat crop by over 25 per cent.

WIRELESS TELEGRAPHY is being established in the Gulf of St. Lawrence by the Dominion Government, and a cable is about to be placed between Belle Isle and Quebec.

THE HEAD OFFICE OF THE BERLIN MUTUAL Fire Insurance Co., has been removed to Toronto, 24 King Street West.

THE COLONIST, VICTORIA, B. C., reports that half the gold dust of the Klondyke "clean up" has been received at Dawson, the value being \$7,500,000.

THE MANITOBA GOVERNMENT crop report gives the area under wheat, 2,011,835 acres. oats, 689,951; barley, 191,009; corn, 1,802; other crops, 68,614 acres. The yield is expected to be from 40 to 60 millions of bushels, which, if realized, will set Manitoba booming.

THE STANDARD LIFE ASSURANCE CO., having arranged to insure all the miners employed by the Dominion Coal Company, moves the "Baltimore Underwriter" to observe, "that is the largest underground business we ever heard of."

THE LOOSERS BY THE ANTWERP FIRE are arranging to sue the city authorities to recover damages caused, as they allege, by the inadequate fire protection. The Belgian law may afford ground for such a suit in which case the trial will prove highly interesting as to sustain the suit it will have to be shown what is "adequate fire protection" in a city.